

Michigan 34th District Court

**Financial Report
with Supplemental Information
June 30, 2012**

Michigan 34th District Court

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Independent Auditor's Report

To the Honorable Judges
Michigan 34th District Court

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Michigan 34th District Court (the "Court") as of and for the year ended June 30, 2012, which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Michigan 34th District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Michigan 34th District Court as of June 30, 2012 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedule, as identified on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Judges of the State of Michigan
Michigan 34th District Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 21, 2012

Michigan 34th District Court

Management's Discussion and Analysis

Our discussion and analysis of the Michigan 34th District Court's (the "Court") financial performance provides an overview of the Court's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Court's financial statements.

The Court is a joint venture of the cities of Romulus and Belleville and the townships of Sumpter, Van Buren, and Huron. Its financial activities are comprised of two major functions, the operation of the Court and its trust and agency transactions. The operation of the Court is reported in its General Fund. The trust and agency activities of the Court are reported in fiduciary funds.

Using this Annual Report

This annual report consists of four parts, management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information. The basic financial statements include information that presents two different views of the Court:

- The first column of the financial statements includes information on the Court's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Court's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government-wide financial statement column provides both long-term and short-term information about the Court's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Court as a whole and present a longer-term view of the Court's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required and other supplemental information that further explain and support the information in the financial statements.

Michigan 34th District Court

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below depicts key financial information for the governmental activities in a condensed format as of and for the year ended June 30, 2012 and in comparison to the prior year:

	2012	2011
Assets	\$ 248,287	\$ 274,691
Liabilities	\$ 248,287	\$ 274,691
Revenue		
Funding from the City of Romulus	\$ 3,104,810	\$ 3,311,474
Other sources	217,932	243,142
Total revenue	3,322,742	3,554,616
Expenditures - Court services	3,377,608	3,552,338
Excess of Expenditures (Over) Under Revenue/ Change in Net Assets	(54,866)	2,278
Transfer from (to) the City of Romulus	54,866	(2,278)
Net Assets	\$ -	\$ -

The Court as a Whole

- The Court's primary source of revenue is contributions from the City of Romulus, which represents 93 percent of total revenue.
- Salaries and fringe benefits continue to be a significant expense of the Court, representing 80 percent of the Court's total expenditures.

The Court's Fund

Our analysis of the Court's Major Fund is included on pages 6 and 7 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Court as a whole. The Court's Major Fund consists solely of the General Fund.

The General Fund's budget is prepared by Court administration and approved by the council of the City of Romulus (the "City"). Substantially all of the expenditures of the Court are paid for by contributions from the City.

Michigan 34th District Court

Management's Discussion and Analysis (Continued)

Court Budgetary Highlights

For the year ended June 30, 2012, the Court's expenditures were approximately 12.6 percent under budget while making many equipment improvements.

The Court created an electronic data archiving system for all transcripts for all three courtrooms. The creation of this new storage system brings the Court current with the Circuit Court's new rule on electronic transcripts. All felony court transcripts will now be transferred to the Circuit Court electronically. This creates another level of data protection by all this information being stored in a third location. It also cuts the Court's postage costs, which saves money.

The Court had a two story 30' x 40' storage building built. The Court will be able to save approximately \$7,000 per year it is currently paying for off-site storage of files.

Due to an FCC mandate that all VHF and UHF radios had to be replaced with 800 band radios by January 1, 2013, the Court purchased six radios at a cost of \$19,686 from Motorola Solutions. The Court had to comply to allow communication with all the police agencies that operate in the 34th District.

Contacting the Court's Management

This financial report is intended solely to provide our funding units, citizens, and taxpayers a general overview of the Court's finances and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administration.

Michigan 34th District Court

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2012

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 45,443	\$ -	\$ 45,443
Prepaid expenses and other assets	49,550	-	49,550
Due from other local governmental units	<u>21,049</u>	<u>132,245</u>	<u>153,294</u>
Total assets	<u>\$ 116,042</u>	<u>\$ 132,245</u>	<u>\$ 248,287</u>
Liabilities			
Accounts payable	\$ 67,448	\$ -	\$ 67,448
Salary withholdings, accrued payroll, and payroll taxes payable	48,594	-	48,594
Compensated absences due within one year	-	115,865	115,865
Compensated absences due in more than one year	<u>-</u>	<u>16,380</u>	<u>16,380</u>
Total liabilities	<u>\$ 116,042</u>	<u>\$ 132,245</u>	<u>\$ 248,287</u>

Michigan 34th District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2012

	General Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue			
Funding from the City of Romulus, Michigan	\$ 3,120,000	\$ (15,190)	\$ 3,104,810
Other revenue	217,932	-	217,932
Total revenue	3,337,932	(15,190)	3,322,742
Expenditures			
Salaries and wages	1,871,382	-	1,871,382
Fringe benefits	858,656	(15,190)	843,466
Attorney fees	54,360	-	54,360
Professional fees and contractual services	115,943	-	115,943
Education and training	7,099	-	7,099
Dues, fees, and subscriptions	81,994	-	81,994
Building insurance, maintenance, and utilities	31,216	-	31,216
Equipment lease and maintenance	32,859	-	32,859
Furniture and equipment	134,713	-	134,713
Jury and witness fees	2,200	-	2,200
Reference material	5,452	-	5,452
Work program	16,613	-	16,613
Printing	38,455	-	38,455
Computer equipment and software	25,633	-	25,633
Supplies	52,820	-	52,820
Telephone	23,335	-	23,335
Travel	761	-	761
Reinstated bond	6,680	-	6,680
Postage	32,627	-	32,627
Total expenditures	3,392,798	(15,190)	3,377,608
Excess of Expenditures Over Revenue/Change in Net			
Assets - Before transfer from the City of Romulus, Michigan	(54,866)	-	(54,866)
Transfer from the City of Romulus, Michigan	54,866	-	54,866
Excess of Revenue Over Expenditures	-	-	-
Fund Balance/Net Assets - Beginning of year	-	-	-
Fund Balance/Net Assets - End of year	\$ -	\$ -	\$ -

Michigan 34th District Court

Fiduciary Funds Statement of Assets and Liabilities June 30, 2012

	Agency Funds	
	Depository	Bond
Assets - Cash and cash equivalents (Note 3)	\$ 824,877	\$ 153,218
Liabilities		
Due to other local governmental units	\$ 582,788	\$ 171
Due to the State of Michigan	157,660	-
Due to Wayne County	54,868	-
Due to others	29,561	-
Appearance bonds payable	-	153,047
Total liabilities	\$ 824,877	\$ 153,218

Michigan 34th District Court

Notes to Financial Statements June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Michigan 34th District Court (the “Court”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

Reporting Entity

The Court is reported as a joint venture in the cities of Romulus and Belleville and the townships of Sumpter, Van Buren, and Huron, Michigan’s basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court’s financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court’s basic financial statements include both the Court’s full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements - The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term compensated absence liabilities. The statement of net assets would also recognize all long-term assets; however, these assets have been funded through operating transfers to the General Fund from the City of Romulus, Michigan and have therefore been capitalized by the City of Romulus, Michigan.

The statement of activities includes expenditures for employee compensated absences.

Modified Accrual Financial Statements - The Court’s modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Michigan 34th District Court

Notes to Financial Statements June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to finance expenditures of the fiscal period. For this purpose, the Court considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Court. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Fund

General Fund - The General Fund contains the records of the ordinary activities of the Court that are not accounted for in another fund. The General Fund includes the general operating expenditures of the Court, which consist mainly of salaries and fringe benefits for Court employees. Revenue is derived primarily from fines and costs payable to the City of Romulus, Michigan. The City of Romulus, Michigan approves the Court's annual General Fund operating budget. The Court periodically withdraws funds from the Depository Fund that otherwise would be due to the City of Romulus, Michigan to operate the Court's General Fund. Excess revenue at year end is payable to the City of Romulus, Michigan.

Fiduciary Funds

Agency Funds - Agency funds are used to account for assets held by the Court as an agent for individuals, organizations, other governments, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Court uses the following agency funds:

- **Depository Fund** - This fund accounts for the receipt of fines and costs associated with criminal and ordinance violations for the five participating local units of government, the State of Michigan, the County of Wayne, and other third parties. The Court then distributes to the participating local units of government, the State of Michigan, and the County of Wayne its share of fines and costs collected. The Court withdraws from the Depository Fund fines and costs that would otherwise be payable to the City of Romulus, Michigan to operate the Court's General Fund.

Michigan 34th District Court

Notes to Financial Statements June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

- **Bond Fund** - This fund receives and holds bond monies from defendants as a promise to appear on an appointed court date. After the court date, the monies are applied to fines and costs, bond costs, forfeitures, and refunds, as appropriate.

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

The governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance of the Court's General Fund differ from the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance.

The statement of net assets includes the compensated absence liability of the Court employees of \$132,245 and the statement of activities includes the expense related to this liability of (\$15,190). As the City of Romulus, Michigan ultimately subsidizes the Court's General Fund operations, a corresponding receivable and operating transfer have been recorded in the statement of net assets and statement of activities for these additional fringe benefits.

Michigan 34th District Court

Notes to Financial Statements June 30, 2012

Note 3 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The Court has not adopted an investment policy in accordance with Public Act 196 of 1997; however, the Court's deposits and investments are in accordance with statutory authority.

The Court's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had no bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the Court had \$906,869 invested in mutual funds that were rated A1/P1/F1.

Note 4 - Budget Information

The annual budget of the General Fund is prepared by Court management and adopted by the City Council of the City of Romulus, Michigan; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2012 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Michigan 34th District Court

Notes to Financial Statements June 30, 2012

Note 4 - Budget Information (Continued)

The budget process is initiated in January for the following fiscal year. At this time, the City of Romulus finance director provides the Chief Judge with the appropriate financial information. The Chief Judge then prepares the budget and submits it to the City Council shortly thereafter for formal approval.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The General Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Actual expenses were under budget in the current year by \$487,374. While the City Council has adopted a General Fund budget in total, a comparison of actual results of operations to the General Fund budget is included in the financial statements at the line-item level.

Note 5 - Allocation to Local Units

The Depository Fund of the Court receives all fines, costs, and probation income. These receipts are allocated to its district control unit and each participating local unit on a specific identification basis, as follows:

- One-third of fines, costs, and probation income specifically identified to the City of Belleville, Michigan, Huron Township, Sumpter Township, and Van Buren Township is remitted to those communities. The remaining two-thirds are retained by this fund.
- Fines and costs collected by the Court within 14 days from the date of infraction are returned in full to the local participating unit of government and are not subject to the two-thirds reduction described above.
- On a monthly basis, the Depository Fund transfers funds to the Court's General Fund in an amount necessary to meet its operating budget.
- Statutory payments are remitted to the State of Michigan and Wayne County; remaining assets are remitted to the district control unit, the City of Romulus, Michigan.

Note 6 - Postemployment Benefits

Eligible Court employees and their spouses are covered by the City of Romulus Retiree Health Care Plan, a single-employer defined benefit plan that is administered by the City of Romulus, Michigan.

Note 6 - Postemployment Benefits (Continued)

The obligation to contribute to and maintain the system for these employees was established by the City of Romulus, Michigan and requires contributions from employees in certain employee groups. The Court's contribution to the plan for the year ended June 30, 2012 was \$0.

Note 7 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Defined Contribution Retirement Plan

Previously, the Court provided pension benefits for all its salaried and clerical employees through a multiemployer defined contribution plan sponsored by the City of Romulus, Michigan. Effective September 1, 2004, the Court's employees had the option to either remain in the City of Romulus, Michigan plan or switch to the Municipal Employees' Retirement System of Michigan (MERS). Employees with a loan balance with the City of Romulus, Michigan pension plan were required to remain in the City's plan. All employees hired subsequent to September 1, 2004 are automatically enrolled in the MERS plan and have no option to enroll in the City of Romulus, Michigan plan.

City of Romulus Retirement System

The City of Romulus retirement system is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At June 30, 2012, there was one employee participating in the City of Romulus pension system. As established by labor contracts, the plan requires the Court to make contributions totaling 10 percent of employees' base earnings (no overtime). Employees may make voluntary contributions up to a maximum of 10 percent of their annual compensation during each of these years. Full vesting takes place after 20 months of service for all contributions and related account earnings. In accordance with these requirements, the Court contributed approximately \$3,700. There were no employee elective contributions during the year.

Michigan 34th District Court

Notes to Financial Statements June 30, 2012

Note 9 - Defined Benefit Retirement Plan

Plan Description - The Court also participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all its salaried and clerical employees not electing to participate in the City of Romulus retirement system described above. MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the Court's competitive bargaining units and requires a contribution from employees of 3 percent of gross wages.

Annual Pension Cost - For the year ended June 30, 2012, the Court's annual pension cost of approximately \$217,000 for MERS was equal to the Court's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.90 percent per year, and (c) no cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of years. The remaining amortization period is 28 years.

	Fiscal Year Ended June 30		
	2010	2011	2012
Annual pension costs (APC)	\$ 254,000	\$ 259,000	\$ 217,000
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2009	2010	2011
Actuarial value of assets	\$ 3,567,371	\$ 3,988,219	\$ 4,346,465
Actuarial accrued liability (entry age) (AAL)	\$ 5,401,490	\$ 5,747,311	\$ 6,499,697
Unfunded AAL (UAAL)	\$ 1,834,119	\$ 1,759,092	\$ 2,153,232
Funded ratio	66.04%	69.39%	66.87%
Covered payroll	\$ 1,567,998	\$ 1,573,730	\$ 1,350,975
UAAL as a percentage of covered payroll	116.97%	111.78%	159.38%

Note 10 - Upcoming Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Court's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Court's 2013-2014 fiscal year.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Court is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the Court's 2014-2015 fiscal year.

Required Supplemental Information

Michigan 34th District Court

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue			
Funding from the City of Romulus, Michigan	\$ 3,120,000	\$ 3,120,000	\$ -
Other revenue	<u>760,172</u>	<u>217,932</u>	<u>(542,240)</u>
Total revenue	3,880,172	3,337,932	(542,240)
Expenditures			
Salaries and wages	2,194,672	1,871,382	323,290
Fringe benefits	1,035,000	858,656	176,344
Attorney fees	84,000	54,360	29,640
Professional fees and contractual services	111,000	115,943	(4,943)
Education and training	10,000	7,099	2,901
Dues, fees, and subscriptions	75,000	81,994	(6,994)
Building insurance, maintenance, and utilities	91,000	31,216	59,784
Equipment lease and maintenance	52,500	32,859	19,641
Furniture and equipment	15,000	134,713	(119,713)
Jury and witness fees	6,000	2,200	3,800
Reference material	7,500	5,452	2,048
Work program	43,500	16,613	26,887
Printing	37,000	38,455	(1,455)
Computer equipment and software	15,000	25,633	(10,633)
Supplies	40,000	52,820	(12,820)
Telephone	25,000	23,335	1,665
Travel	1,000	761	239
Reinstated bond	4,000	6,680	(2,680)
Postage	<u>33,000</u>	<u>32,627</u>	<u>373</u>
Total expenditures	<u>3,880,172</u>	<u>3,392,798</u>	<u>487,374</u>
Excess of Expenditures Over Revenue - Before			
transfer from the City of Romulus, Michigan	-	(54,866)	(54,866)
Transfer from the City of Romulus, Michigan	<u>-</u>	<u>54,866</u>	<u>54,866</u>
Excess of Expenditures Over Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* No amendments were made to the original budget during the fiscal year.

Other Supplemental Information

Michigan 34th District Court

Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
<u>Depository Fund</u>				
Assets - Cash and cash equivalents	\$ 756,729	\$ 9,331,492	\$ 9,263,344	\$ 824,877
Liabilities				
Due to other local governmental units	\$ 507,356	\$ 6,196,126	\$ 6,120,694	\$ 582,788
Due to the State of Michigan	139,661	1,761,941	1,743,942	157,660
Due to Wayne County	105,031	533,394	583,557	54,868
Due to others	4,681	94,328	69,448	29,561
Total liabilities	\$ 756,729	\$ 8,585,789	\$ 8,517,641	\$ 824,877
<u>Bond Fund</u>				
Assets - Cash and cash equivalents	\$ 99,214	\$ 894,126	\$ 840,122	\$ 153,218
Liabilities				
Due to other local governmental units	\$ 43	\$ 15,757	\$ 15,629	\$ 171
Appearance bonds payable	99,171	878,370	824,494	153,047
Total liabilities	\$ 99,214	\$ 894,127	\$ 840,123	\$ 153,218

December 21, 2012

To the Honorable Judges
Michigan 34th District Court
11131 Wayne Road
Romulus, MI 48174

We have audited the financial statements of the Michigan 34th District Court (the "Court") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 21, 2012. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under SAS 115

Section II - Communications Required Under SAS 114

Section III - Other Recommendations and Informational Items

Section I includes any deficiencies we observed in the Court's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Court's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Judges of the Michigan 34th District Court.

Section III presents recommendations related to internal control and procedures noted during our current year audit as well as other informational items. These comments are offered in the interest of helping the Court in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank Al Hindman and Sandy Crout as well as all of the Court's personnel for their cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Judges and management of the Michigan 34th District Court and is not intended to be and should not be used by anyone other than these specified parties.

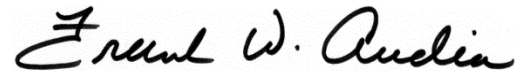
To the Honorable Judges
Michigan 34th District Court

December 21, 2012

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Frank W. Audia". The signature is written in a cursive style with a large, stylized 'F' and 'A'.

Frank W. Audia

Section I - Communications Required Under SAS 115

In planning and performing our audit of the financial statements of the Michigan 34th District Court as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We consider the following deficiency in the Court's internal control to be a material weakness:

Year-end Entry

In connection with the audit, the Court was required to post an entry to correct the "Due from Depository Fund" account as well as revenue to reflect the proper balances and activity in the year-end accounting records. The need for this entry was identified by the auditor and the proper adjustment was then provided by the Court.

Section II - Communications Required Under SAS 114

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 14, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Michigan 34th District Court. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated August 27, 2012 and discussed with Judge Brooks-Green in our meeting about planning matters on October 1, 2012.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Michigan 34th District Court are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2012.

We noted no transactions entered into by the Court during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant components in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was Note 9 - Defined Benefit Retirement Plan.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The misstatement noted in the material weakness section of the SAS 115 letter has been corrected. A disclosure related to operating leases entered into by the Court was not included in the financial statements due to the fact that annual expenses related to operating leases were not significant. In addition, an immaterial portion of a construction project not completed by year end was included in expenses for the year.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Court's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Honorable Judges
Michigan 34th District Court

December 21, 2012

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Court, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the Court's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Section III - Other Recommendations and Informational Items

As a result of our audit, we have the following comments and recommendations for your review and consideration.

Financial Policies and Internal Control Considerations

Cross-training/Transition Planning

In conjunction with the Court's strategic planning initiatives, we encourage the Court to review anticipated transitions within key positions to ensure proper cross-training has been performed. It is our understanding that there are several duties within the financial reporting area that are performed by a single individual. Given the complex accounting structure of the Court, we recommend the Court review these responsibilities to identify staff members that should be cross-trained to ensure accurate and timely reporting during any transition periods. It is our understanding that the Court has begun training one additional individual on these duties.

Segregation of Duties

Currently, the individual who opens the mail prepares a listing of receipts prior to distributing the cash receipts to be entered into the register; however, the disposition of each item is not documented. We recommend that the individual who opens the mail maintain a receipt log that can then be verified against register receipts to ensure all funds received through the mail are properly accounted for.

Summary of Prior Recommendations

Over the past several years, we have made recommendations related to opportunities to strengthen the Court's internal controls, including adopting formal credit card and wire transfer policies.

We understand the district control unit is currently in the process of including the Court in its credit card policy and has amended its investment policy to include the Court.